

Message Text

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TO AMEMBASSY BONN

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E. O. 11652: N/ A

TAGS: ETRN, WG

SUBJECT: CIVAIR - LUFTHANSA TAX CONSULTATIONS

1. CONSULTATIONS ON " USE TAX" IMPOSED ON LUFTHANSA BY NEW YORK CITY HELD ON APRIL 11 WITH USDEL UNDERTAKING TO:

(1) URGE THAT NEW YORK CITY POSTPONE HEARING SCHEDULED FOR MAY 4 AND:(2) CONTINUE PURSUE EFFORTS WITH NEW YORK CITY AND STATE TAX AUTHORITIES TO GRANT RELIEF TO LUFTHANSA AS MATTER OF POLICY, BASED ON RECIPROCITY. DESPITE GENUINELY FRIENDLY ATMOSPHERE, GERDEL MADE CLEAR THAT BONN HAS IN PAST EXEMPTED US AIRLINES FROM VALUE- ADDED- TAX ON BASIS OF RECIPROCITY, AND THAT IN ABSENCE SUCH RECIPROCITY THIS " GENEROUS TREATMENT" PROBABLY COULD NOT BE EXTENDED. FYI. PAN AMERICAN ESTIMATES ITS LIABILITY UNDER SUCH TAX CHANGE TO BE AT LEAST \$350,000 MONTHLY. END FYI.

2. IN THEORY, GERDEL BASED ITS CASE ON GERMAN LANGUAGE

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VERSION OF ARTICLE 7(C) OF US- GERMAN AIR TRANSPORT AGREE-
MENT, CONTENDING THAT LANGUAGE EXEMPTS SPARE PARTS IMPORTED
BY LUFTHANSA FROM ALL US FEDERAL, STATE, AND LOCAL TAXATION.
GERDEL NOTED THAT NEW YORK CITY TAX ASSESSMENT NOW TOTALS
\$132,000 FOR YEARS 1955-1965 AND THAT, PRESUMABLY, STATE
WILL LEVY SIMILAR TAX FOR YEARS 1966-1973.

3. USDEL STRESSED INABILITY FEDERAL GOVERNMENT GRANT EXEMP-

TION FROM STATE AND LOCAL TAXES, BY MEANS OF EXECUTIVE
AGREEMENTS WITHOUT LEGISLATIVE AUTHORITY PRESENTLY LACK-
ING, BUT AGREED WORK JOINTLY WITH LUFTHANSA AS WELL AS US
AIRLINES TO SECURE EITHER ADMINISTRATIVE OR LEGISLATIVE
RELIEF FOR LUFTHANSA FROM PERTINENT TAXES LEVIED BY NEW
YORK CITY/ STATE.

4. AS NEXT STEP, DEPARTMENT WILL SEEK TO FOLLOW UP PRE-
VIOUS CONTACTS WITH NEW YORK STATE AUTHORITIES, WHO
HOLD KEY TO NEW YORK CITY/ STATE SITUATION, BY ARRANG-
ING PERSONAL DISCUSSIONS WITH DEPARTMENT OFFICERS AND
LEGAL COUNSEL FOR LUFTHANSA, PAN AM, TWA, ETC. IN MEAN-
TIME, EMBASSY SHOULD, AS NECESSARY, ASSURE FGR OFFICIALS
OF OUR SINCERE DESIRE TO RESOLVE THIS ISSUE TO SATISFAC-
TION OF ALL CONCERNED. ROGERS

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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